

Congress of the United States
Washington, DC 20515

June 16, 2017

Mr. José B. Carrión III
Chairman
Financial Oversight and Management Board of Puerto Rico
PO Box 192018
San Juan, PR 00919-2018

Dear Chairman Carrión,

Amidst the economic difficulties facing Puerto Rico, creditors continue to place the Island in a chokehold. One such instance is the Puerto Rico Electric Power Authority's (PREPA) Restructuring Support Agreement (RSA), which requires certification from the Oversight Board that you lead. In its review of this RSA, the Board must carefully examine the economic effects that this RSA will have on every resident of the Island.

The Board has clear legal authority to consider this RSA. In its September 30, 2016 meeting, the Board designated PREPA as a covered territorial instrumentality. As a result, it is required by section 601(e) of PROMESA to authorize any voluntary, Title VI restructuring, including the proposed RSA. It is the Board's responsibility to determine whether the RSA should go forward. A key provision of the RSA is its securitization of electricity revenues for the benefit of PREPA's creditors. Above all claims, the agreement will protect the payments to creditors levied on the backs of the residents that pay their electricity. With residents leaving the Island at a historical pace, there are fewer residents to shoulder these costs, resulting in higher rates for those that stay on Island.

Higher electricity costs are detrimental to the local economy, causing businesses both large and small to operate with reduced margins, leaving them less able to expand and hire new employees. As currently drafted, the RSA will only accelerate the outmigration of residents and businesses. This downward spiral will deplete what is left of the Island's economic foundation.

In the bipartisan report from the Congressional Task Force on Economic Growth in Puerto Rico, we all agreed that the ultimate goal for the energy sector in Puerto Rico is that PREPA and the government make "electric power more reliable and *affordable*." As drafted now, the terms of the RSA do not provide for the comprehensive transformation of the Puerto Rico Electric Power Authority necessary to lower electricity costs.

After careful review, we cannot locate any language in PROMESA that restricts the Oversight Board from considering whether consensual negotiations under Title VI, or any preexisting voluntary agreements, are obstacles to economic growth. Put differently, it would be the reverse of PROMESA's provisions, logic and Congressional intent. It would be irresponsible to acknowledge that the Board needs to certify the PREPA RSA as a Qualifying Modification without considering that such a certification would be directly inconsistent with PROMESA's overarching purpose, namely to provide a mechanism for fiscal responsibility and access to the capital markets.


In the congressional hearing held by the House Natural Resources Committee on March 22, 2017 on the status of the RSA for PREPA, you indicated that “the Board has been strongly committed to a ‘once and done’ approach to Puerto Rico’s financial crisis. This means establishing a set of policy changes...[to] put the budget and *economy back on track*. *We believe such an approach is necessary for Puerto Rico to effectively use the tools PROMESA has provided to genuinely solve Puerto Rico’s longstanding crisis*, and to put the Island on the path to a better future.”

While some of my colleagues in Congress believe that creditors’ concerns lie before the needs of the most vulnerable, PROMESA clearly stipulated that Congress’ intent was to provide Puerto Rico the tools to comprehensively restructure its debt and lay out a path forward. Title VII of PROMESA reads: “It is the sense of the Congress that any durable solution for Puerto Rico’s fiscal and economic crisis should include permanent, pro-growth fiscal reforms that feature, among other elements, a free flow of capital between possessions of the United States and the rest of the United States.”

PROMESA was one of the most difficult votes we have had to take in our years in Congress. And we only did so because we were assured that it was the most effective route to restructure the debt and restart economic growth for the Island. It is not a coincidence that the very title of the law includes the words “Economic Stability”. And the truth is that a path of sustainable economic development is beneficial to all stakeholders, including creditors.

We therefore urge you not to certify PREPA’s RSA and instead work with creditors to find a sustainable solution, or if there is no appetite by creditors to do so, enter a Title III restructuring.

Sincerely,



Nydia M. Velázquez
Member of Congress



Raúl Grijalva
Member of Congress

Cc:

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